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USSR: Grain Crop at the Beginning of October

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USSR: GRAIN CROP AT THE BEGINNING OF OCTOBER

SUMMARY

1. We have reduced our estimate of the 1974 Soviet grain crop from 198 million metric tons to 195 million tons because of harvesting difficulties and poor prospects for the corn crop.

- The 1974 harvest has proceeded at a slow pace.
- The large gap between cutting and threshing that persisted through August (more than 10 million hectares) resulted in substantial harvest losses.
- The total area harvested this year probably will be smaller than in 1973.
- Cold weather during the past 2 months has reduced the corn crop by more than 2 million tons.

2. This year's harvest is expected to be 5 million to 15 million tons short of needs because domestic consumption and export commitments in FY 1975 are estimated at 200 million to 210 million tons. Carryover stocks are estimated at 20 million to 30 million tons.

3. Last week the USSR tried to buy 3½ million tons of wheat and corn from the United States. Moscow may continue to seek foreign grain to replenish stocks and to hedge against a harvest shortfall next year.

DISCUSSION

Status of the Grain Harvest

4. The 1974 Soviet grain harvest is now nearing completion; on 7 October, 93% of the grain had been cut. The cutting rate has been behind the 1973 rate throughout the season because of the late planting and the slow development of the crop.

Note: Comments and queries regarding this publication are welcomed. They may be directed to [redacted] of the Office of Economic Research [redacted]

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5. An area of 129.7 million hectares of grain was planted this year, compared with 127.9 million hectares last year. Normally, a part of the planted area is either abandoned or is diverted to forage. Last year, for example, 1.2 million hectares were not harvested. The lag in harvesting this year combined with drought in the east, lodging in the west, and retarded development of the corn crop, strongly suggests that the harvested area this year will be only about 125 million hectares.

6. Cool weather in August and September coupled with the late spring planting appears to have particularly hurt the corn crop. A larger area was planted to corn for grain this year than last year—5.2 million hectares compared with 4.6 million hectares; but conditions for corn development were particularly unfavorable. A Soviet newspaper recently commented, "there has been insufficient warmth for the formation of the corn harvest in western and northern oblasts of the Ukraine." We estimate that no more than 4 million hectares of corn will be harvested for grain this year and that corn yields will be less than last year.

7. The threshing rate has been considerably behind schedule during most of the harvest because of heavy rainfall, lodged grain, and poor machinery preparation (see Table 1). In an effort to dry out the grain before threshing, much of the cut grain was left for long periods of time in windrows. Throughout most of August the area of unthreshed grain exceeded 10 million hectares. In many areas the rains persisted, preventing the grain from drying and delaying the threshing.*

8. Drier weather west of the Urals and a concerted effort by the regime pushed the September threshing rate above both the 1973 rate and the average rate of recent years for the first time since the start of the harvest. The July-August harvesting problems, however, will reduce the availability of usable grain. Both the moisture and trash component of the grain will be abnormally high, thereby inflating the weight of the crop.

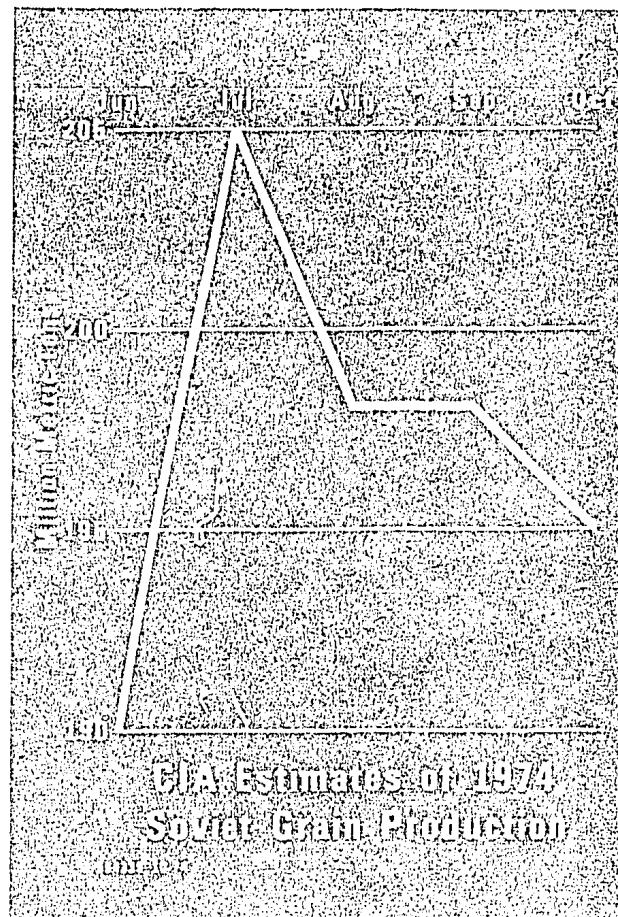
Estimate of the Crop

9. Because of the harvesting difficulties and the slow development of the corn crop, we have reduced our estimate of the 1974 Soviet grain crop from 198 million tons to 195 million tons. Although below the regime's goal of 205.6 million tons, the 1974 output would be second only to last year's record output of 222.5 million tons (see Table 2).

* When grain remains damp in windrows for long periods, spoilage can occur while the grain is still in the field. Successive wetting and drying of this grain also can contribute to spoilage after storage. Some grain varieties may even sprout when subjected to continuing moist conditions. During the growing season, prolonged moist conditions following wheat maturity also contribute to problems of green weeds growing above the wheat. The resulting high content of weeds in the harvested grain increases drying problems.

10. Several Soviet statements in August and early September hinted at the problems with the 1974 harvest.

- In early August, Deputy Minister of Agriculture, B. Runov, told a group of USDA officials that this year's harvest would be "only average."
- In late August, the Soviet Union refused to permit the US spring wheat team to visit key spring wheat grain areas in the New Lands of Siberia and Kazakhstan as originally agreed. The Soviet refusal, we feel, was an effort to conceal the extent of the crop shortfall.
- On 7 September, General Secretary Brezhnev admitted difficulties with the crop in Siberia and Kazakhstan.



11. The recent attempt to purchase 2.4 million tons of US corn and 1.0 million tons of US wheat reflects the shortfall in the production of both these grains. An output of 85 million tons of wheat will be the smallest output since 1969. The downturn in corn output comes at a time when the regime is striving to spur its livestock industry through a greater use of a mixed feed ration based on corn. The Soviet willingness to buy grain at historically high prices reveals the government's determination not to jeopardize this livestock program.

12. Undoubtedly a sharp drawdown of the record grain carryover stocks of 20 million to 30 million tons was an option considered by the regime. However, the milling quality of the stocks is believed to be low. Moreover, Soviet officials probably fear the precarious position in which a large stock drawdown would place

Table 1

**USSR: Progress in Harvesting of Grain Crops in 1974
Compared with 1973 and a Seven-Year Annual Average**

	<u>Seven-Year Annual Average¹</u>		<u>1973</u>		<u>1974</u>	
	Cumulative Area Threshed ² (Million Hectares)	Cumulative Proportion Threshed (Percent)	Cumulative Area Threshed ² (Million Hectares)	Cumulative Proportion Threshed (Percent)	Cumulative Area Threshed ² (Million Hectares)	Cumulative Proportion Threshed (Percent)
Total	115.5	100.0	118.0	100.0	120.0	100.0
22 Jul	18.4	15.9	15.6	13.2	9.0	7.5
29 Jul	27.9	24.2	23.5	19.9	15.5	12.9
5 Aug	38.3	33.2	35.8	30.3	25.5	21.2
12 Aug	48.2	41.7	47.8	40.5	37.3	31.1
19 Aug	57.7	50.0	57.0	48.3	52.0	43.3
26 Aug	67.0	58.0	67.6	57.3	66.7	55.6
2 Sep	77.5	67.1	79.9	67.7	79.2	66.0
9 Sep	87.6	75.8	87.3	74.0	90.4	75.3
16 Sep	95.0	82.3	97.0	82.2	101.1	84.2
23 Sep	100.6	87.1	103.4	87.6	107.0	89.2
30 Sep	104.5	90.5	107.0	90.7	110.6	92.2
7 Oct	107.2	92.8	111.6	94.6	111.9	93.2

1. 1965, 1966, and 1968-72.

2. Including all pulses and grain, except corn, grown on state and collective farms, but excluding area sown to grain on small plots by individuals and area sown on subsidiary farming enterprises operated by non-agricultural firms and organizations.

Table 2

USSR: Grain Production

	<u>Million Metric Tons</u>		
	<u>Official Data</u>		<u>Preliminary Estimate</u>
	<u>1972</u>	<u>1973</u>	<u>1974</u>
Total	168.2	222.5	195
Bread grains	95.6	120.4	95
Wheat	86.0	109.7	85
Rye	9.6	10.7	10
Feed grains	72.6	102.1	100
Corn	9.8	13.4	12
Barley	36.8	55.0	55
Oats	14.1	17.5	17
Other ¹	11.9	16.2	16

1. Including millet, buckwheat, rice, and pulses.

them if the harvest next year is poor. As both production and consumption grow, the volume of stocks the USSR will feel it needs as a hedge against crop failure will increase.

Grain Trade Prospects

13. The USSR will need 200 million to 210 million tons of grain to cover domestic requirements and export commitments in FY 1975. The Soviets apparently planned to make up some or all of the shortfall of 5 million to 15 million through imports. Before the recently aborted contracts, only 1½ million tons of foreign grain was scheduled for delivery to the USSR in FY 1975—most of it left over from 1972 and 1973 contracts with the United States. Only 250,000 tons of wheat and about 150,000 tons of corn—bought from Argentina—represent contracts signed this year. The recent contracts would have brought total imports up to 5 million tons in FY 1975, and Soviet foreign trade officials indicated that they had planned additional purchases of 1 million or 2 million tons of wheat before the end of 1974.

14. Because US grain is not now available in the quantities desired, the USSR must consider several alternatives:

- Cut back on the planned increase in grain feeding rates until world grain becomes more plentiful.
- Reduce sales to client states, mainly Eastern Europe, but also North Vietnam, Cuba, and North Korea. These sales were expected to reach 4 million to 5 million tons during FY 1975; although we do not know the terms the contracts involved, we judge on the basis of past actions that Moscow would trim sales to clients as part of a general belt-tightening program.
- Draw down the present high level of stocks. This possibility is limited by the quality of the carry-over stocks. The Soviets would prefer to use this option only in the case of a real emergency. Nonetheless, we judge they will allow considerable inroads in stocks before cutting back their livestock program.
- Seek the required grain from other countries. It is doubtful that other suppliers can be found to provide as much grain as desired by the Soviets because the tight world grain situation has been made even tighter by the recent restrictions on US grain exports.